



# House of Representatives

General Assembly

**File No. 281**

*January Session, 2001*

Substitute House Bill No. 5863

*House of Representatives, April 12, 2001*

The Committee on Labor and Public Employees reported through REP. DONOVAN of the 84th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT ELIMINATING SOCIAL SECURITY OFFSETS UNDER THE UNEMPLOYMENT COMPENSATION ACT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Subsection (g) of section 31-227 of the general statutes is repealed  
2 and the following is substituted in lieu thereof:

3 (g) With respect to benefit years beginning on or after October 1,  
4 1981, for any week with respect to which an individual is receiving a  
5 pension, which shall include a governmental or other pension,  
6 retirement or retired pay, annuity, or any other similar periodic  
7 payment, under a plan maintained or contributed to by a base period  
8 employer, the weekly benefit rate payable to such individual for such  
9 week shall be reduced by the prorated weekly amount of the pension.  
10 [Where] If contributions were made to the pension plan by the  
11 individual, the prorated weekly pension amount shall be reduced by  
12 the proportion [which] that such individual's contributions bear to the

13 total of all payments for such individual into the plan, except that if the  
14 pension is paid under the Social Security Act, the individual's  
15 contributions to the plan shall reduce the prorated weekly pension  
16 amount by one hundred per cent. If, as a result of the reduction made  
17 under the provisions of this subsection, the individual's weekly benefit  
18 rate is not a whole dollar amount, the weekly benefit rate payable to  
19 such individual shall be the next lower whole dollar amount. No  
20 reduction shall be made under this subsection by reason of the receipt  
21 of a pension, except in the case of pensions paid under the Social  
22 Security Act or the Railroad Retirement Act of 1974, if the services  
23 performed by the individual during the base period for such employer,  
24 or remuneration received for such services, did not affect the  
25 individual's eligibility for, or increase the amount of, such pension,  
26 retirement or retired pay, annuity, or similar payment.

**LAB**      **JOINT FAVORABLE SUBST.**

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Cost, (Unemployment Compensation Fund)

**Affected Agencies:** Department of Labor

**Municipal Impact:** Cost

**Explanation****State and Municipal Impact:**

The bill eliminates the Social Security pension offset for individuals receiving unemployment compensation. Currently, Connecticut offsets an individual's weekly unemployment benefit by 50% of his pro-rated weekly Social Security pension benefit.

There will be a cost of approximately \$1.8 million to the Unemployment Compensation Fund. A total of 3,968 claimants currently have deductions for social security pensions. Under this bill 2,419 claimants had unemployment deductions that were not recouped.

The state would incur an additional cost of approximately \$18,000 in Unemployment Compensation contributions. Municipalities will incur a cost of approximately \$38,000 in contributions as a result of the bill.

**OLR Bill Analysis**

sHB 5863

***AN ACT ELIMINATING SOCIAL SECURITY OFFSETS UNDER THE UNEMPLOYMENT COMPENSATION ACT.*****SUMMARY:**

This bill eliminates the Social Security pension offset for individuals receiving unemployment compensation. Currently, Connecticut offsets an individual's weekly unemployment benefit by 50% of his pro-rated weekly Social Security pension benefit.

EFFECTIVE DATE: October 1, 2001

**BACKGROUND*****Federal Law***

The Federal Unemployment Tax Act (FUTA) requires states to reduce a claimant's weekly unemployment compensation amount by the amount the person receives in "governmental (including Social Security) or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual" (26 USC § 3304(a)(15)). But, FUTA allows states to limit the amount of any such reduction by taking into account contributions made by the employee to his pension (26 USC § 3304(a)(15)(B)). According to the U.S. Department of Labor, states may reduce the amount deducted from unemployment compensation by any amount, including 100%, as long as the state law specifies that the offset is being reduced because the individual has contributed to the pension plan.

**COMMITTEE ACTION**

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 10      Nay 4